

TENNESSEE REGULATORY AUTHORITY





Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

MEMORANDUM

TO: Chairman Deborah Taylor Tate
Director Pat Miller
Director Sara Kyle

FROM: Eddie Roberson, Chief, Consumer Services and External Affairs Division 
Kim Beals, Counsel 

DATE: January 9, 2004

SUBJECT: Settlement with BetterWorld Telecom, LLC (Docket No. 03-00566)

Attached is a Settlement Agreement between the Consumer Services and External Affairs Division ("Staff") and BetterWorld Telecom, LLC (hereafter referred to as "BetterWorld") for violations of the Tenn. Code Ann. §§65-4-201, 65-4-125(j), and Tenn. Comp. R.& Regs. 1220-4-2-.57(2).

Three (3) consumer complaints were filed against BetterWorld with the Authority. In the course of investigating these complaints, Staff discovered that BetterWorld was not properly certificated with the Authority to provide telecommunications services in the State. Staff informed BetterWorld of its failure to obtain a certificate of public convenience and necessity. BetterWorld expressed an interest in obtaining the necessary certification with the Authority, which it is in the process of doing, in order to rectify its past violations.

The Settlement also requires BetterWorld to make a payment of \$5,000 to the Authority along with assurances that it will fully comply with applicable state law. The terms of this Settlement require BetterWorld to pay the \$5,000, less the \$1,000 already paid as a deposit on the Settlement, in monthly payments of \$750 commencing no later than thirty (30) days following the Authority's ratification of the Settlement. A representative for BetterWorld will be available telephonically for the January 26, 2004 Conference to answer any question you may have.

Considering all relevant facts, the Staff believes the terms of this Settlement are fair and reasonable. We have also been informed by the Telecommunications Division that BetterWorld's application for reseller certification is now complete. Staff submits the attached Settlement Agreement for your deliberation at the January 26, 2004 Authority Conference.

cc: Director Ron Jones
Mr. James F. Kenefick, President, BetterWorld
Mr. Henry Walker, Counsel for BetterWorld

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

RECEIVED
CONSUMER SERVICES DIVISION
JAN 07 2004
TN REGULATORY AUTHORITY

IN RE:

**STAFF INVESTIGATION OF BETTERWORLD TELECOM,
LLC FOR VIOLATION OF TENN. CODE ANN. §§ 65-4-125(j) &
201 AND TENN. COMP. R. & REGS. 1220-4-2-.57(2)**

DOCKET NO.
03-00566

SETTLEMENT AGREEMENT

This Settlement Agreement, which has been voluntarily entered into between the Consumer Services Division ("CSD") of the Tennessee Regulatory Authority ("TRA" or "Authority") and BetterWorld Telecom, LLC ("BetterWorld" or the "Company"), resolves all issues and causes of action by the TRA presented by BetterWorld's noncompliance with Tenn. Code Ann. § 65-4-125(j) (failure to provide a surety bond), Tenn. Code Ann § 65-4-201, and Tenn. Comp. R. & Regs. 1220-4-2-.57(2) (operating without a certificate of public convenience and necessity) through the date of the execution of this Settlement Agreement. This Settlement Agreement is subject to the approval of the Directors of the TRA.

In July 2003, the CSD received three consumer complaints alleging certain statutory violations by BetterWorld. Upon investigation of these complaints, which were ultimately resolved in the Company's favor, the CSD discovered that BetterWorld has been operating in Tennessee without a certificate of public convenience and necessity ("CCN") as required by Tenn. Code Ann. § 65-4-201(b) and TRA Rule 1220-4-2-.57(2) and without having filed with the TRA either a surety bond or letter of credit in the amount of twenty thousand dollars (\$20,000) as required by Tenn. Code Ann. § 65-4-125(j).

On August 14, 2003, Eddie Roberson, Chief of the TRA's Consumer Services Division, sent a letter to a representative of BetterWorld, Mr. Chuck Riddle, inquiring about the Company's CCN. In a meeting at the TRA with Mr. Roberson on September 30, 2003, Mr. Riddle indicated that BetterWorld had been providing services in Tennessee since February 10, 2003, but ceased marketing these services on April 18, 2003 due to difficulties with the Company's telemarketer. As of this meeting, BetterWorld had been operating in the State of Tennessee reselling long distance service without the requisite CCN for a total of 233 days, serving approximately 231 Tennessee customers.

Although considered by the Company to be only a small reseller of telecommunications services, BetterWorld is currently operating in forty states, including Tennessee. Before commencing these operations, the Company engaged a Washington, DC law firm to handle all regulatory compliance requirements in all states where services were to be provided. It was, apparently, BetterWorld's belief that upon registering as a foreign corporation and receiving a certificate of authority from the Tennessee Secretary of State pursuant to Tenn. Code Ann. § 48-25-101, the Company had fully complied with all of Tennessee's statutory and regulatory requirements.

Upon learning that the Company had failed to comply with the TRA's CCN requirement, BetterWorld agreed to rectify this statutory violation and filed a petition for a CCN on October 1, 2003. Because the petition did not include the necessary surety bond or letter of credit, the petition was deemed incomplete and could not be considered for approval. BetterWorld was immediately informed of this deficiency and was instructed to provide a surety bond or letter of credit as quickly as possible since the Company continued to provide telecommunications services in Tennessee without the authority to do so. After much difficulty and several

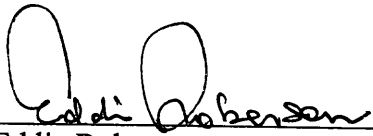
extensions of time from the TRA, BetterWorld finally obtained its surety bond and provided it to the TRA on December 23, 2003, making the Company's petition for CCN complete and eligible for consideration.

By this time, BetterWorld had provided unauthorized telecommunications services in the state of Tennessee for a total of 317 days - 131 days since being informed of its noncompliance with the law. Tenn. Code Ann. § 65-4-120 permits the TRA to impose a penalty or fine in the amount of \$50 per day upon any public utility in violation of any rule or requirement of the TRA. Following some negotiation with BetterWorld and consideration of the factors provided in Tenn. Code Ann. § 65-4-116(b), including the Company's size, financial status, good faith, and the gravity of the violations, the CSD settled on a penalty in the amount of \$5,000.00.

In an effort to resolve all alleged violations noted in this Settlement Agreement, the CSD and BetterWorld agree to settle this matter based upon the following acknowledgements and terms, subject to approval by the Directors of the TRA:

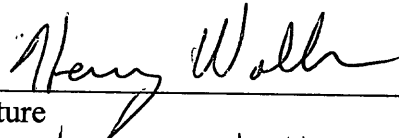
1. BetterWorld agrees to pay the TRA the sum of five thousand dollars (\$5000.00) (the "Settlement Payment"), less the one thousand dollar (\$1,000.00) deposit against penalties paid by BetterWorld on December 4, 2003, in settlement of all violations included in this Settlement Agreement. BetterWorld shall remit the Settlement Payment to the Office of the Chairman of the TRA in monthly installments of seven hundred fifty dollars (\$750.00) beginning no later than thirty days after TRA approval of this Settlement Agreement.
2. Upon approval by the Directors of BetterWorld's petition for a CCN in TRA Docket No. 03-00542, BetterWorld agrees, henceforth, to remain in compliance with all the statutory and regulatory requirements of the TRA.
3. In the event that BetterWorld merges or consolidates with or transfers its assets to another firm, corporation or entity, BetterWorld or its successor shall remain responsible for fully complying with the terms and conditions of the Settlement Agreement. BetterWorld shall so notify the CSD no later than ten (10) days prior to the completion of such transaction.

4. BetterWorld agrees that a company representative will attend the Authority Conference during which the Directors consider this Settlement Agreement. Such attendance may be by telephone.
5. Compliance with all terms and conditions of this Settlement Agreement by BetterWorld shall be deemed a full settlement, release, accord and satisfaction of all liability for the aforementioned violations and BetterWorld shall be excused from further proceedings in this matter.
6. In the event that BetterWorld fails to comply with the terms and conditions of this Settlement Agreement, the TRA reserves the right to re-open this docket. BetterWorld shall pay any and all costs incurred by the TRA to enforce the Settlement Agreement.
7. This Settlement Agreement represents the entire agreement between the parties, and there are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Settlement Agreement which are not fully expressed herein or attached hereto.
8. If any clause, provision or section of this Settlement Agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Settlement Agreement and this Settlement Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.



Eddie Roberson
Chief, Consumer Services Division
Tennessee Regulatory Authority

January 8, 2004
Date



Signature

Henry Walker
Print Name

Attorney for BetterWorld
Print Title

Jan 6, 2004
Date